

Commodities Weekly

For the week ending Friday 12th April



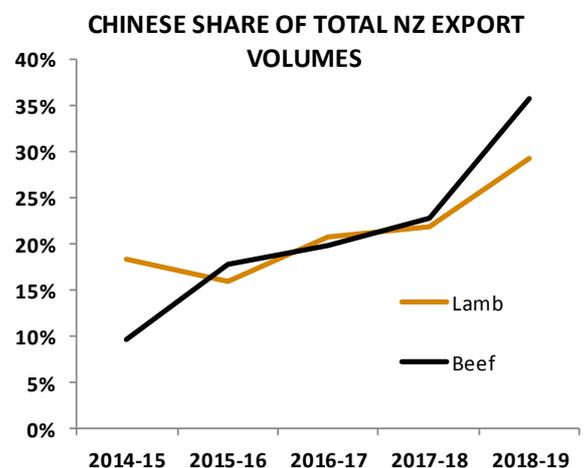
Beef and Lamb in China: Better ungulate than never

With pork not looking hot to trot, beef and lamb prices should be well supported

Pork is a staple of the Chinese diet, dominating other meats. Pig meat is a key part of many traditional foods, from sweet and sour pork balls to pig blood curd. The dominance of the pig in Chinese cuisine is unfortunate for NZ – we produce very little pork, instead focusing on meat from other ungulates like lamb and beef, which China eats far less of. Beef, for example, is consumed at a fifth the rate pork is.

Still, Kiwi beef and lamb exporters look set to benefit thanks to an unlikely source – African Swine Fever (ASF). As we highlighted [last week](#), ASF has spread throughout China, resulting in high mortality rates among pigs. Consequently, the Chinese pig herd is forecast to contract to its smallest size in 30 years, with pork production dropping 5% despite firm demand. **This should drive pork shortages and price increases, meaning many in China are likely turn to other meats – like beef and lamb – as substitutes.**

After long trailing demand for pork, Chinese demand for beef and lamb is rising, and that should continue thanks to AFS. China’s share of YTD NZ lamb exports grew from 18% in 2014-15 to 29% in 2018-19. For beef, the Chinese share grew from 10% to 36%. A rising middle class means more Chinese can afford expensive steak and lamb cuts. The perception that beef and lamb are healthier than pork has also helped demand, as has the ‘globalisation of the dinner table,’ with more and more Chinese adopting western eating habits. **For Kiwi sheep and beef farmers, higher Chinese demand will mean prices are well supported moving forward.**



Week ending 12th April

The ASB Commodity Price Index was stable, up 0.4% in USD terms and unchanged in NZD terms.

USD dairy prices tracked sideways (down 0.1%). Sheep/beef prices rose solidly, up 1.5%. Forestry and fruit each rose 0.4%.

The NZD was fairly stable over last week, rising slightly by 0.4%. As of the time of writing, NZD/USD remained in a similar position, with the Kiwi trading at USD\$0.677.

ASB New Zealand Commodity Price Indices As at Friday 12th April 2019

	Index*	Week %	Year %**
Total NZD	106.9	0.0%	6.3%
Total SDR	102.3	0.1%	3.2%
Total USD	102.5	0.4%	-1.0%
Dairy USD	104.7	-0.1%	5.0%
Sheep/beef USD	96.2	1.5%	-9.3%
Forestry USD	103.8	0.4%	-3.3%
Fruit USD	103.7	0.4%	-0.7%
NZD/USD	0.6762	0.4%	-6.9%

* For all indices 2017 average = 100

** Percentage change since same week last year

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